

m/039/002



November 18, 2004

VIA FACSIMILE AND U.S. MAIL

Daron R. Haddock, Permit Supervisor  
Minerals Regulatory Program  
State of Utah Division of Oil, Gas & Mining  
1594 West North Temple, Ste. 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801  
Fax: 801-359-3940

Re: Proposal Regarding Reclamation Surety, Redmond Minerals, Inc. ("Redmond"),  
South RCS Salt Mine, M/039/002, Sanpete County, Utah

Dear Mr. Haddock:

It has been a pleasure to correspond with you via email recently regarding the reclamation surety for Redmond's South RCS Salt Mine. This letter will confirm my understanding of the substance of our email correspondence, a copy of which is enclosed, wherein you agreed to accept the following three-part proposal:

- 1). Redmond will amend its existing letter of credit amount by \$23,000 for an aggregate amount of \$258,100 no later than December 7, 2004. (Please note that as indicated in your November 3, 2004 letter to Redmond Employee Ronald Bosshardt, you received Redmond's amended letter of credit November 2, 2004).
- 2). Redmond will allow its amended letter of credit to expire on March 1, 2005.
- 3). Redmond will finalize and have in place with the Division a new form of surety, as described below, no later than February 21, 2005.

New Form of Surety: If the Division approves Redmond's collateralized securities surety proposal mentioned in our attached email correspondence, Redmond will post this new form of surety. Otherwise Redmond will post a Certificate of Deposit. In either case, as indicated above, Redmond will post a new form of surety no later than February 21, 2005.

Please let me know if my understanding of our agreement is incorrect in any way. I appreciate your willingness to accommodate Redmond's desire to post a new form of surety in the most economical manner.

Kindest regards,

A handwritten signature in black ink, appearing to read 'J. Haddock', is written over the typed name.

Jason Haddock,  
Director of Finance

Enclosures

743 West 1200 North, Suite 200 • Springville, Utah 84663  
Telephone: (801) 491-4340 • Fax: (801) 491-2838

RECEIVED

NOV 18 2004

DIV. OF OIL, GAS & MINING

**Jason Haddock**

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**From:** Daron Haddock [daronhaddock@utah.gov]  
**Sent:** Tuesday, November 16, 2004 11:01 AM  
**To:** Jason Haddock  
**Cc:** Doug Jensen; Joelle Burns  
**Subject:** RE: Redmond Minerals, Inc. - Five-Year Review of Reclamation Surety Estimate

Jason,

When I suggested we formalize the arrangement in a letter, I was intending that the letter would come from Redmond. Essentially it would be your proposal. This is especially appropriate, after you received those last letters we sent out requesting replacement surety.

By the way, I think we are Okay with your proposal to use Corporate bonds, although we are not clear on the procedure. We have someone looking into that and will let you know. The one thing that we really want to make sure happens is that an appropriate and acceptable replacement bond is in place before the other one expires. Getting the replacement bond on February 21st only gives us a week to verify that the replacement is good. That may be cutting things a little close.

Thanks.

Daron

>>> "Jason Haddock" <jasonh@redmondinc.com> 11/15/04 11:43AM >>>

Daron,

Thanks for your email. We will proceed forward with our plan to have the new surety in place no later than February 21, 2005. When you suggested formalizing this arrangement with a letter I assume you were suggesting the Division would send out a letter? If you need me to put together a letter from Redmond I would be glad to. Please let me know.

By the way, I'm glad to hear the Division will accept US Treasury Securities as surety. This will definitely be a better option than a CD. The information you forwarded from Victoria Bryan mentioned that Corporate bonds, rated A or higher, might be acceptable. Will the Division accept AA or AAA rated Corporate Bonds? AA or AAA Corporate bonds would be a better investment option for Redmond than US Securities and would still provide a safe option for the Division.

Best regards,

Jason Haddock  
Director of Finance  
Redmond Minerals, Inc.  
743 W. 1200 N., Ste. 200  
Springville, UT 84663  
Direct: 801-853-4114

-----Original Message-----

**From:** Daron Haddock [mailto:daronhaddock@utah.gov]  
**Sent:** Friday, November 12, 2004 4:34 PM  
**To:** Jason Haddock  
**Cc:** Doug Jensen; Joelle Burns  
**Subject:** RE: Redmond Minerals, Inc. - Five-Year Review of Reclamation Surety Estimate

I apologize for the confusion. The letters we sent out on November 2, and 3, 2004 were our standard letters that go out whenever we are notified by a bank or surety company that a bond is not going to be renewed. I believe I was out the day they were sent. Anyway, there is no problem as long as the surety gets replaced before it expires. In your case you have provided an appropriate scenario for replacement of the surety and at no time will the mine be without surety. If the sureties were not replaced by the February 21, 2005 date, we would then be concerned. We should probably formalize this arrangement with a letter rather than just an email.

By the way, the Division does accept US treasury securities as surety.  
Thanks. Daron

>>> "Jason Haddock" <jasonh@redmondinc.com> 11/10/04 12:32PM >>>  
Daron,

I am in receipt of two letters you sent to Mr. Ronald Bosshardt at Redmond Minerals dated November 2, 2004 and November 3, 2004. From your letters it is apparent there is some confusion. I would like to rectify this confusion as soon as possible.

Your letters state that you "must receive a replacement form of surety within 60 days prior to January 3, 2005, or we will be forced to start surety forfeiture proceedings." However, from your email below it seems reasonably apparent that you had previously accepted our plan to let the current Letter of Credit expire on March 1, 2005 so long as we had a new form of surety in place no later than February 21, 2005.

Indeed, our decision to allow the current Letter of Credit to expire on March 1, 2005 was based solely in reliance on your apparent acceptance of our proposal below. After reviewing this situation, if you find that there is still a problem, please let me know as soon as possible.

Also,  
please confirm that you have not yet taken any actions to start forfeiture proceeds.

Unless we hear from you otherwise, we will continue forward with the plan to have a new form of surety in place as described below no later than February 21, 2005.

Also, please direct all future correspondence regarding the reclamation surety to my attention at the address below.

Best regards,

Jason Haddock  
Director of Finance  
Redmond Minerals, Inc.  
743 W. 1200 N., Ste. 200  
Springville, UT 84663  
Direct: 801-853-4114

-----Original Message-----

From: Daron Haddock [mailto:daronhaddock@utah.gov]  
Sent: Wednesday, October 27, 2004 3:24 PM  
To: Jason Haddock  
Subject: Re: Redmond Minerals, Inc. - Five-Year Review of Reclamation Surety Estimate

Jason,

Thanks for getting back to us on this. Your 3 step proposal sounds good and I am willing to accept it. However, we are still looking into the collateralized securities account and have yet to make a decision on whether these can be used as surety. We have retained an expert in bonding and hope to have an answer on this soon. It sounds like you have contingency plans already worked out. We should have an answer before the end of the year.

Thanks,  
Daron

>>> "Jason Haddock" <jasonh@redmondinc.com> 10/26/04 03:55PM >>>  
Dear Daron:

Pete Ogden forwarded me your letter dated October 8, 2004 regarding the Division's Five-Year Review of the Reclamation Surety Estimate for Redmond Minerals, Inc. I recently telephoned Mr. Doug Jensen at your office about your letter and he suggested I contact you directly.

As you know, Redmond's current letter of credit on file with the Division in the amount of \$235,100 expires March 1, 2005. You may also recall from my recent correspondence with Tom Munson that Redmond is interested in posting another form of surety in the near



future.

However, posting another form of surety too early would not allow Redmond to take full advantage of what it has already paid for its existing letter of credit. I.e., Changing surety forms too early would simply be a waste of money.

In order to comply with your request to post the updated \$258,100 surety and accommodate our desire to change surety forms in the near future Redmond would like to present the following proposal for your consideration:

- 1). Redmond will amend its existing letter of credit amount by \$23,000 for an aggregate amount of \$258,100 no later than December 7, 2004.
- 2). Redmond will allow the amended letter of credit to expire on March 1, 2005.
- 3). Redmond will finalize and have in place with the Division a new form of surety, as described below, no later than February 21, 2005.

**New Form of Surety:**

A. Collateralized Securities Account. Redmond would like to ask the Division to make a formal decision regarding its proposal to post a collateralized securities account to meet its reclamation surety obligation before January 1, 2004. If the State approves Redmond's Collateralized Securities Surety proposal Redmond will post this new form of Surety; or

B. If the Division rejects Redmond's Collateralized Securities Account proposal Redmond will post a Certificate of Deposit.

By the way, in answer to your question about what securities Redmond would include in a Collateralized Securities Account, we're open to suggestions from the Division as far as stock/bond/Government Securities ratio might be concerned, but we would like a significant portion of the account to include Warren Buffett's Berkshire Hathaway Class B shares (Symbol brk.b) because of a shared belief in Mr. Buffett's business philosophies.

For your convenience I have attached my original email to Tom Munson regarding the Collateralized Securities Account proposal.

Please consider our proposals described above and let me know if you have any questions.

Best regards,

Jason Haddock  
Director of Finance  
Redmond Minerals, Inc.  
743 W. 1200 N., Ste. 200  
Springville, UT 84663  
Direct: 801-853-4114